

Annual Report and Financial Statements 2015

Airways Pension Scheme



**Year ended
31 March 2015**

Annual Report and Financial Statements

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Chairman's Review

This is my last report as Chairman of the Airways Pension Scheme (APS) and as well as warmly welcoming my successor, Virginia Holmes, I wanted to take this opportunity to place on record my appreciation of the work undertaken on your behalf by my fellow Trustees.

The last five years has been a challenging period for British Airways' (BA) defined benefit schemes. Changes in the aviation industry, for example as BA Plc responds to the industry trend towards consolidation, are no less relevant to the Scheme than significant recent changes within the pension industry. When investment markets and economic conditions are added to the mix, particularly current low yields and the uncertainty about the path of future real yields, the result is a challenging landscape within which the Trustees must steer a difficult course to ensure the best outcomes for the Scheme's membership. The Scheme's valuation exercise is a critical process where an assessment of the risks associated with each of the key factors (covenant, investment and funding) must be integrated to determine the optimal approach to funding, contributions and investment risk over the lifetime of the Scheme. The various work streams associated with the 31 March 2015 funding valuation are well advanced and the statutory deadline for completion is 30 June 2016.

This report and the following pages are intended to update you on the key funding, litigation, governance, investment and administration issues. Over this period we have also published a quarterly newsletter on the member website to keep members up to date.

Headline results

As shown on page 20, the net asset value of the Scheme has increased from £7.1 billion as at 31 March 2014 to £7.5 billion as at 31 March 2015. The key factors contributing to this rise were the increases in the market value of index linked bonds, by £399m, and the fixed interest bonds, by £131m. The Fund holds around 60% of its assets in index linked gilts to seek to match the long term inflation linked liabilities. Gilt yields fell over the relevant period which corresponds to rising bond prices. The increase in the overall asset value would have been larger but for a specific technical change to the accounting treatment of the Scheme's buy-in contract (Artemis) which

has been made this year in anticipation of future changes to the rules governing pension scheme accounting. More information on this can be found on page 21.

Legal proceedings – pension increases

We have previously reported to you that the trial date was set for February 2016, with a time estimate of 25 days. However, the courts have acceded to BA's application for the trial date to be put back primarily to accommodate the preparation of additional expert evidence. The trial date is now set for October 2016. Although I will no longer be a serving Trustee, I will continue to assist the APS Trustees as required.

Funding

The last formal triennial valuation was at 31 March 2012 at which time the deficit on a technical provisions basis was £680m, which modestly improved to £547m as at 31 March 2013 and further improved to £409m as at 31 March 2014. More information can be found on page 5.

Although the March 2014 position showed an improvement, it is likely that the Trustees will seek to adopt revised and more prudent assumptions as part of the 2015 formal valuation to reflect the intended progress towards holding a higher proportion of the Scheme's assets in higher security assets, mainly Government bonds.

Investment policy and performance

As part of the valuation process the Trustees will undertake a full review of the investment strategy. As is to be expected for a scheme as mature as APS, over time the remaining equity risk, longevity risk and interest rate risk will need to be addressed. The aim is to take the most efficient risks and hedge the poorly rewarded ones. When market conditions are volatile, as they are now, it is important that de-risking decisions take account of the prevailing market conditions. The Scheme has set up governance processes involving daily monitoring and has appointed a sub-committee which can be convened at short notice in response to specific triggers to seek to ensure that opportunities are not missed.

Chairman's Review

More information about the management of the Scheme's investments and the 2014/15 investment and economic environment can be found on pages 13 to 14. The day to day management of the Scheme's investments is delegated to British Airways Pension Investment Management Ltd (BAPIML). The Trustees closely monitor BAPIML's performance. BAPIML's track record over the near and long term is also shown on pages 15 to 17.

Trustee Board

During the year since last reporting to you there have been some changes to the Trustee Board. Sadly, Cliff Pocock passed away in December 2014. Cliff served as a pensioner elected Trustee for over 11 years and showed great commitment and dedication to the interests of the APS membership. Phil Hogg was elected as a Pensioner Trustee filling the position left by the loss of Cliff. Tom Mitchell was elected as a Pensioner Trustee having ceased his active Member Trustee position upon retiring from BA on 30 June 2015. Peter Simpson left British Airways and Jo Boswell stepped down as a Trustee; both were employer appointed Trustees, and we welcomed Ian Howick and Nick Goddard as their replacements. Along with myself, Alan Buchanan also ceases to be an employer appointed Trustee from October 2015.

The composition of the Trustee Board has not been static over the five and half years I have been Chairman but what has been consistent is the commitment demonstrated by all who have served on the Trustee Board in fulfilling their duties and responsibilities. I have every confidence that my successor with the Trustees will continue to exercise their responsibilities for the benefit of the Trust and you the beneficiaries. I have received unwavering support from the British Airways Pension Services Ltd (BAPSL) Executives who administer the Scheme and the BAPIML investment team who manage the Scheme assets. My huge thanks to them and I have no doubt they will continue that excellent professional support to my successor and the Trustees.

I have greatly enjoyed working with my fellow Trustees and those that support them in their work.

Paul Spencer CBE
Chairman of Trustees
September 2015

Trustees & Advisers

Appointed by British Airways Plc (the Company)

Paul Spencer CBE
(Chairman)
Independent Trustee

Charlie Maunder
Head of Flight
Operations
British Airways Plc

Ian Howick
Director of Heathrow
British Airways Plc
Appointed 22 April 2015

Alan Buchanan
Former Employee

Philip Osmond
Director of Airport
Transformation
British Airways Plc

Nick Goddard
Risk Management &
Internal Audit Manager
International Airlines Group Plc
Appointed 1 April 2015

Members elected

Tom Mitchell
Active/pensioner elected
Appointed 14 September
2015 (Retired from active
position 30 June 2015)

Stephen Mallett
Pensioner elected

Sandra Sellers
Pensioner elected

Paul Douglas
Pensioner elected

Phil Hogg
Pensioner elected
Appointed 23 April 2015

Graham Tomlin
Pensioner elected

Retired during the year

Peter Simpson
Resigned 28 February 2015

Jo Boswell
Resigned 31 March 2015

Cliff Pocock
Ceased 27 December 2014

Advisers*

Scheme Actuary
Michael Pardoe
Towers Watson Ltd

Legal Advisers
Eversheds LLP
Sacker & Partners LLP

Bankers
BNY Mellon

External Custodian
State Street Bank and
Trust Co

Investment Adviser
Towers Watson Ltd
BAPIML

Auditor
KPMG LLP

Convenant Advisers
PricewaterhouseCoopers LLP

Independent Investment Advisers

AllenbridgeEpic Investment Advisers Ltd
Geoff Lindey, Andrew Threadgold, Phillip Williams

Administration

British Airways Pension Services Ltd (BAPSL)
Teresa Suriyae
Managing Director & Scheme Secretary

Investment Management

**British Airways Pension Investment
Management Ltd (BAPIML)**
Michelle McGregor Smith, Chief Executive Officer

* In addition to the Scheme's principal advisers the Trustees have appointed legal and other advisers to provide advice on specific matters as required.

Trustees' Report

This report provides information about the management of the Scheme and provides more detail concerning the main activities undertaken during the year. There are sections on the funding position of the Scheme, investment, Scheme governance, Scheme changes and pension administration matters.

The financial statements of the Scheme for the year ended 31 March 2015, as set out on pages 19 to 32 have been prepared and audited in accordance with Sections 41(1) and (6) of the Pensions Act 1995.

SCHEME FUNDING POSITION

Formal valuations are carried out every three years and the formal valuation for 31 March 2015 is currently underway. The Scheme Actuary provides an interim update which is reported to the membership in an annual funding statement to show how the funding position is evolving. The interim update does not involve the detailed analysis required for a formal valuation but some of the underlying assumptions can be updated to reflect changed conditions e.g. investment return expectations. It is not necessary to agree the results of an interim update with BA and contributions do not have to be revised, unlike for a formal valuation. However, an interim update provides a useful guide as to developments between formal valuations. A summary of the Scheme Actuary's 2014 findings is set out below. More information regarding the Scheme Actuary's findings was included in the February 2015 edition of In Focus (also available on the member website www.mybapension.com).

The 31 March 2014 update showed that the funding level on a technical provisions basis had improved from 93.5% at 31 March 2013 to 94.7% as at 31 March 2014 and the deficit had reduced from £547m to £409m. The value of the Scheme's liabilities had decreased over the preceding year from £8.4bn at 31 March 2013 to £7.7bn at 31 March 2014.

This improvement in the funding level is mainly due to an increase in Government bond (gilt) yields over the 31 March 2013 to 31 March 2014 period which in turn led to a decrease in the value of the Scheme's liabilities.

Although the March 2014 position showed an improvement it is likely that the Scheme will adopt revised and more prudent assumptions as part of the 2015 formal valuation to reflect the intended progress towards holding liability matching assets.

The funding levels are shown below:

	31 March 2014	31 March 2013	31 March 2012
Liabilities*	(7,682)	(8,392)	(7,995)
Assets	7,273	7,845	7,315
(Deficit)	(409)	(547)	(680)
Funding level	94.7%	93.5%	91.5%

* The liabilities are based on the technical provisions agreed between the Trustees and BA at the 31 March 2012 valuation, updated by the Scheme Actuary in line with changes in market conditions as at 31 March 2013 and 31 March 2014.

The recovery plan

The Scheme has a recovery plan in place to address the funding deficit. Under the terms of the recovery plan the Trustees and the Company have agreed to repair the deficit such that:

- the Company will pay additional contributions to the Scheme at a rate of £4,583,333 per month until 31 March 2023; and
- if the assumptions in the recovery plan are borne out in practice, the deficit will be removed by 31 March 2023. This includes an allowance for investment returns at 0.3% a year in excess of the discount rate.
- In addition, the Trustees and BA have agreed a package of additional security and other measures aimed at improving the funding position and members' benefit security over time, which are documented in separate legal agreements. This includes a contingent payment of £250 million in January 2019.

PricewaterhouseCoopers LLP (PwC) is engaged by the Trustees to carry out extensive and on-going reviews of the Company's financial position and future cash flows. PwC has advised the Trustees that the contributions that

Trustees' Report

the Company has committed to pay to the Scheme and the New Airways Pension Scheme (NAPS) are set at the level that the Company can reasonably afford in current circumstances. The airline industry is volatile and the Trustees have agreed protections in the event that the Company's position were to deteriorate but have also agreed a cash sweep mechanism which means that the Scheme will receive additional contributions in the event that the Company's annual 31 March cash balance exceeds prescribed thresholds.

BA paid £5.8m to the Scheme in respect of the 31 March 2014 cash sweep payment, received and accounted for in the current year's financial statements, and £25.3m in respect of the 31 March 2015 cash sweep payment, which will be accounted for in the 2015/16 financial statements.

SCHEME INVESTMENT

The current broad strategic asset allocation as at 30 September 2015 (net of the Rothesay Life buy-in) is shown below:

Investment category	Allocation
Return seeking	19%
Liability matching	81%

Return seeking assets are those chosen with long term returns expected to exceed risk-free assets – which compensates for the higher risk exposure. Equities (UK and overseas), private equity, property and alternatives are return seeking assets. Liability matching assets are those held to be aligned with the Scheme's future benefit payments and are intended to reduce the amount of risk. Government bonds are an example of a liability matching asset. The strategic asset allocation set out above is subject to more detailed control limits and bandwidths exercised by the Investment Committee in consultation with the investment advisers and BAPIML.

DYNAMIC DE-RISKING AND YIELD TRIGGER FRAMEWORK

Dynamic de-risking

The Trustees have put in place suitable arrangements to dynamically manage risk as funding levels improve, to buy-in insurance against longevity risk for a specified group of liabilities, to hedge a proportion of the liabilities using specific assets on a buy and hold basis, to move the weighting from return seeking assets towards liability matching assets and to hedge interest rate and inflation risks.

The strategy underpinning the framework operates within the following parameters:

- Target 100% funding on a gilts+0% RPI basis by March 2023, allowing for best estimate investment returns (the 'on track funding level').
- Linear de-risking in annual steps of 2.5% from return seeking assets to achieve 100% matching gilts by March 2023.
- Corporate bonds to be retained until the final year of de-risking.
- Upside triggers for de-risking if funding is ahead of plan as a result of investment outperformance.
- Downside triggers to require a review of the framework in the event of poor investment returns or funding falling behind plan.

The dynamic nature of these policies mean that the asset allocation described above will move over time towards a position with a higher allocation to liability matching assets linked to the funding position and appropriate market conditions.

Liability hedging

The Trustees have also established liability hedging arrangements involving interest rate and inflation hedging triggers. The aim of the liability hedging programme is to better align the Scheme's assets with the liabilities by hedging the Scheme's exposure to interest rates and inflation which are the key drivers in relation to the value placed on the liabilities. A range of instruments can be used for this purpose including government bonds and swaps.

As part of the valuation process, there will be a full review of the investment strategy.

Trustees' Report

Statement of Investment Principles (SIP)

An updated SIP was adopted in October 2014.

A copy of the SIP is available on request from the Secretary's office or can be accessed on the member website www.mybapension.com.

Measuring investment performance

The Trustees have adopted a customised strategic benchmark as this ensures that the investment performance objectives are related directly to the circumstances of the Fund.

The Trustees monitor the Fund's performance by comparing the returns achieved against this benchmark. The performance of each asset category is measured against an index. For example, the UK equity portion of the Fund is measured relative to the performance of the FTSE All Share Index.

BAPIML is the in-house investment manager to the Scheme. BAPIML's expenses are charged to the Scheme at cost and routine or day to day investment decisions are delegated to them. The Trustees have set BAPIML the target of performance of 0.3% per annum above the weighted average of the agreed strategic benchmark over a rolling five year period, though the Trustees will continue to monitor performance over a range of different time periods.

Details of the Fund performance can be found on pages 15 to 17.

Statement of compliance with Myners Principles

The Myners Investment Principles, a voluntary code of conduct for institutional investors published by the Government in October 2008, have been reviewed on a self-assessment basis by AllenbridgeEPIC Investment Advisers Ltd, and it was concluded that the Scheme is fully compliant with the Principles.

Notwithstanding full compliance with these high level Principles, it is recognised that standards can continue to be improved and developed in line with emerging industry-wide practice. The Investment Committee Business Plan provides for maintaining compliance with the Principles and improving their practices and procedures accordingly.

SCHEME GOVERNANCE

Trustee knowledge and understanding (TKU)

The Trustees have a formal training policy, the foundation of which is the Pension Regulator's TKU regime. The Trustees conduct a detailed review of their approach to training biennially.

An induction programme is provided for new Trustees on appointment. The amount of material covered in the induction programme is significant and will usually take several months to complete. This is consistent with the law on TKU which allows 6 months for a new Trustee to be trained before they are expected to have achieved the required level of knowledge and understanding. After the initial training Trustees are encouraged to undertake a formal pensions qualification.

Further requirements for training are established by asking Trustees to complete an individual skills gap analysis which informs future training provision. The content, frequency and level of training is tailored to the outcomes of the assessment of each Trustee's particular learning needs but is also related to the Committee(s) on which the Trustee serves. The Trustee Board and each of its Committees produce an annual business plan which identifies the topics and issues that are to be discussed and determined during the year. Appropriate training sessions are then scheduled to support these activities.

Training is provided in a range of formats by a variety of providers. The Scheme Actuary and other advisers provide training to some or all of the Trustees either in routine Main Board or Committee meetings or in specially arranged sessions. Bespoke training is also provided by BAPIML and BAPSL, and Trustees are actively encouraged to supplement this formal training plan by accessing other resources including the Regulator's Trustee Toolkit, pensions related publications and, where appropriate, industry conferences, seminars and publications. Records of all training undertaken are maintained in respect of each individual Trustee.

Trustees' Report

Conflicts of interest

The Trustees understand that they are in a position of trust and need to have policies and arrangements in place to identify, monitor and manage conflicts. The Scheme's primary legal advisers are Eversheds LLP and they are also the primary legal advisers for NAPS. To ensure that appropriate processes are in place to manage conflicts of interest, Sacker and Partners LLP acts for APS in relation to matters which require separate legal advice.

The Scheme's policy and procedure for managing conflicts of interest was reviewed and an updated conflicts of interest policy was adopted in April 2015.

Monitoring of the employer covenant

The Trustees consider it critical that they understand and monitor the financial strength and covenant of the employer on a continuing basis and in order to achieve this PwC act as advisers to the Trustees on employer covenant issues. A reporting framework was agreed with the Company during the 2012 valuation to ensure that the Trustees receive regular updates on the business activities and financial position of the Company.

Trustee arrangements

- The Scheme is administered by twelve Trustees.
- Six of the Trustees are appointed by the Company.
- Five of the Trustees are elected by pensioner members* and adult survivor pensioners of the Scheme and must be pensioner members* of APS.
- One of the Trustees is elected by active members of the Scheme and must be an active member of APS.
- Where an active member vacancy results in no nominations the vacancy is opened to pensioner members* and a notice inviting nominations from both active and pensioner members* is issued. Such a notice was issued in July 2015 and Tom Mitchell was elected as Trustee in the resulting ballot.
- A Trustee may remain in office for a minimum of five years and a maximum of five and a half years and is eligible for re-appointment (provided that he/she still meets the eligibility criteria for the relevant vacancy).
- Nominations for elected active member Trustees must be supported by at least ten members in the relevant constituency and nominations for pensioner member*

Trustees must be supported by ten pensioner members* or adult survivor pensioners. If there is more than one nomination for a vacancy a postal ballot of the relevant members is held. The result is decided on a simple majority of the votes cast.

- Members taking flexible retirement cannot apply to be a pensioner member* Trustee and an active member Trustee at the same time, however flexible retirement members are eligible to vote in both active member and pensioner member* Trustee elections.
- An elected Trustee may be removed from office following a postal ballot in which two thirds of the votes cast by members in the relevant constituency are in favour of removal. A ballot may be held on written request to the Trustees by fifty of the relevant members.

* For this purpose 'pensioner members' do not include pensioners whose benefits have not yet come into payment, contingent beneficiaries and pensioners receiving only Equivalent Pension Benefits under the National Insurance Acts.

Committees

APS and NAPS have separate Trustee Boards and Committees however much of the business of the two Schemes is common. Although separate meetings are held when required, most Main Board and Committee meetings have been held in tandem although each Trustee Board reaches its decisions independently. Much of the work is undertaken by Trustee Committees who are able to review matters in detail before making recommendations to the Main Board. Each Committee operates under clear Terms of Reference which govern its activities. Each Committee constructs a forward looking annual business plan which is used to allocate budgetary resources and informs the development of the Trustee training programme.

The Governance and Audit Committee is principally concerned with legislative compliance, audit and risk management. It monitors the management of the risks to which the Scheme is exposed and oversees audit activity (including the work of both the external and internal auditors appointed by the Trustees). It is also responsible for the establishment of training programmes, reviewing the performance of the Scheme Advisers, budget reviews and internal procedures such as ballot processes.

Trustees' Report

Committees (continued)

The Operations Committee considers a range of matters requiring Trustee discretion (e.g. payment of death-in-service benefits) and second stage applications under the internal dispute resolution procedures. In addition, the Committee considers certain proposed Rule changes, oversees the Scheme's communication strategy and monitors levels of service.

The Investment Committee, which is supported by independent and strategic investment advisers, deals with investment approval and reporting arrangements, the monitoring of investment performance and consideration of the various investment options available to the Scheme. In valuation years it also undertakes a detailed review of the Scheme's investments in the context of its liabilities which includes an asset liability modelling (ALM) study.

In addition to the three main Trustee Committees, sub-committees are established where a small number of Trustees are tasked with a detailed investigation into one or more defined issues.

Performance of Trustees

Attendance records for Trustee and Committee meetings have been maintained and are shown below.

Although the Main Board is scheduled to meet quarterly, the number of matters requiring the Trustees' attention necessitated the convening of additional meetings which were often called at short notice.

On occasions that Trustees are not able to attend a meeting, the Rules provide for them to appoint an alternate to attend and vote for them. During the period under review this has been standard practice. In addition, some Trustees attended, as observers, meetings of Committees to which they were not formally appointed. Such occurrences are not included in the attendance list.

Security of assets

The Custodian Trustee of the Scheme, British Airways Pension Trustees Limited, holds title to the assets of the Scheme on behalf of the Trustees, however physical custody of the Scheme's securities (i.e. bonds and shares) has been delegated to independent external custodians, State Street Bank and Trust Co.

Defined contribution (DC) governance statement

Additional Voluntary Contributions (both money purchase and cash balance AVCs) are considered in some respects to be Defined Contribution (DC) benefits by the Pensions Regulator. In this regard the Trustees of the Scheme annually review and assess the systems, processes and controls across key governance functions (the "controls") to ensure that they are consistent with the Standards of

Trustee	Governance Committee	Investment Committee	Operations Committee	Main Board	Period of Appointment to Main Board
Paul Spencer (<i>Chairman</i>)	4/4	7/7	-	6/6	Whole year
Jo Boswell	-	-	-	0/6	Whole year
Alan Buchanan	-	-	-	5/6	Whole year
Paul Douglas	-	6/7	-	5/6	Whole year
Stephen Mallett	4/4	-	-	6/6	Whole Year
Charlie Maunder	3/4	-	6/7	5/6	Whole year
Tom Mitchell	-	-	7/7	6/6	Whole year
Philip Osmond	-	-	5/7	5/6	Whole year
Cliff Pocock	-	0/5	-	0/3	Part Year
Sandra Sellers	4/4	-	-	5/6	Whole year
Peter Simpson	-	6/6	-	4/4	Part Year
Graham Tomlin	-	-	5/7	6/6	Whole year

Trustees' Report

Practice set out in the Pensions Regulator's DC Code of Practice and Regulatory Guidance. The Trustees are satisfied that the controls are consistent with that Code, however, were the annual review to identify any areas where those Standards of Practice are not met, the Trustees would consider the reason for those differences and whether any changes to current practice are required.

SCHEME CHANGES

Factor review

Scheme factors are reviewed from time to time and at least every three years, usually at the end of the formal valuation process. Updating factors sooner during the valuation process is under discussion but, as changes generally reflect updated assumptions, it is often the case that a final conclusion cannot be reached until later in the valuation process. Whilst it is not possible at this stage to say which factors may change and how and when they will change, once any changes together with an implementation date have been agreed, a period of notice will be given.

Guidance and financial advice requirement

The Government has introduced a requirement for members to take appropriate financial advice if transferring a defined benefit which exceeds a value of £30,000 to a defined contribution arrangement. As members may now be able to access more of their benefits as cash, risk warnings from the Pensions Regulator have been published on the Scheme website.

Defined contribution flexibility

From April 2015 the Government introduced changes allowing greater access to defined contribution benefits from age 55 in response to which a new Scheme option has been made available. Members can now transfer their AVC funds independently of their main Scheme benefits to an external provider.

Transfer flexibility

Under new legislation members have a statutory right to transfer a particular category of benefits provided certain conditions are met including that no further benefit accrual is allowed in the particular type of benefit that has been transferred.

State pension changes

- The New State Pension will replace the Basic State Pension and earnings related State Pension for members reaching State Pension Age on or after 6 April 2016, affecting men born after 6 April 1951 and women born after 6 April 1953.
- Changes to the application of increases paid to the amount equivalent to the Guaranteed Minimum Pension from State pension age for individuals reaching State pension age from 6 April 2016 onwards will be introduced.
- The State pension age is potentially increasing again from age 67 to age 68 by the mid-2030s and from age 68 to age 69 in the mid-2040s.

Contracting out

Contracting out will cease from 6 April 2016 and as a result the lower rate of National Insurance contributions applicable to active Scheme members will no longer be available. In October, BA will start a 60 day consultation with members about proposed changes to the Scheme.

Trust Deed amendments

The following amendments were made during the year:

- Meetings of members – the Trustees agreed changes that permit the use of electronic technology in relation to meeting procedures.
- Confidential information – provisions relating to disclosure/non-disclosure of confidential information.
- Shared parental leave – changes to give members on shared parental leave the same rights as those on maternity leave.
- Commutation and transfers – changes in relation to small pensions and introduction of AVC only transfer option.
- Member disputes – the Scheme's internal dispute resolution procedure was made the default position when there is a dispute whilst retaining arbitration as an alternative.
- Appointment of Management Trustee alternates and confidential information – amendment to clarify the effective dates of the Deeds executed.

Copies of the Deeds implementing these changes can be viewed on the member website www.mybapension.com.

Trustees' Report

PENSIONS ADMINISTRATION MATTERS

Cash equivalent transfer values

Transfer values paid during the year were calculated and verified in the manner prescribed by the regulations under Section 97 of the Pension Schemes Act 1993. A partial allowance for discretionary pension increases is included in the calculation of transfer values.

Pension increases

The Scheme Rules provide that the annual increase shall be the percentage specified in the Pensions Increase (Review) Orders (Orders). Following the Rule amendment made in March 2011 the Trustees are required to consider on at least an annual basis whether to award an additional pension increase to that provided in the Orders. This process is currently on hold pending conclusion of the court case. The Orders currently reflect the rise in the Consumer Prices Index (CPI) over a twelve-month period measured up to the end of the preceding September. The 2015 Order was 1.2% and in accordance with the Scheme Rules, qualifying pensions were increased by 1.2% on 6 April 2015. Increases apply to all pensions payable under the Rules of the Scheme (whether in deferment or currently in payment excluding any guaranteed minimum pension in payment) except where the member remained in active service after 31 December 1973 and did not transfer to Part VI of the Scheme. People in this latter category receive increases in line with price inflation, as determined by the Orders annually, up to 5% a year in respect of any part of the pension relating to pensionable service after 5 April 1997. The Pensions Act 2004 reduced increases to pensions in payment for people within this category to inflation up to 2.5% in respect of service after 5 April 2005. The Pensions Act 2008 reduced increases to deferred pensions for people within this category who have not attained their normal pension date to inflation up to 2.5% in respect of pension accrued after 5 April 2009. Dependants in receipt of pensions derived from a deceased member within this category receive increases at the rate shown in the Orders, but only up to 5% a year. Any increases above those provided for by the Orders are granted on a discretionary basis; those increases provided in line with the Orders are a right under the Scheme.

Internal dispute resolution procedure (IDRP)

The Trustees are required by law to operate an IDRP. This is a mechanism by which a member may request a designated person to adjudicate on a disagreement with their scheme. The designated person to deal with the first stage adjudication is Kate Tollis, Head of Trustee Governance & Secretariat, BAPSL. In the event that the complainant is not satisfied with the outcome the matter is then referred to the Trustees' Operations Committee. Complaints made under this procedure must be in writing and a leaflet giving full details is available from Whitelocke House.

Pensionable pay option

Following the 2009 Scheme valuation BA froze APS pensionable pay from 2010. BA reviewed this as part of the 2012 Scheme valuation and APS active members were given the option by BA to unfreeze pensionable pay in exchange for a 4.5% salary deduction. Applications for this option had to have been received by 31 December 2014 and any decision as to whether this option will be made available again is at the discretion of BA.

Tax allowance changes

Changes have been introduced to the annual allowance where DC benefits are accessed flexibly as cash from an external arrangement. An annual allowance of £10,000 a year will apply to all future DC pension savings if any benefits are accessed flexibly and a reduced annual allowance will apply to any DB benefits.

This report was approved by the Board of Trustees on 30 September 2015 and was signed on their behalf by:

Teresa Suriyae
Scheme Secretary

Statement of Trustees' Responsibilities

The audited financial statements, which are to be prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP), are the responsibility of the Trustees. Pension scheme regulations require the Trustees to make available to Scheme members, beneficiaries and certain other parties, audited financial statements for each Scheme year which:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement as to whether the financial statements have been prepared in accordance with the Statement of Recommended Practice 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis. They are also responsible for making available each year, commonly in the form of a Trustees' annual report, information about the Scheme prescribed by pensions legislation, which they should ensure is consistent with the financial statements it accompanies.

The Trustees also have certain responsibilities in respect of contributions which are set out in the statement of Trustees' responsibilities accompanying the Trustees' summary of contributions.

The Trustees have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

Investment Report

REVIEW OF THE YEAR

Economic growth in most regions appeared fragile and once again relied upon the continued support from policymakers as growth struggled to be self-sustaining in some major economies. Both the Japanese authorities and the European Central Bank acted to provide support by injecting liquidity into the system, implementing various packages to stimulate growth or even resist deflation in the case of the Eurozone. In contrast the debate in the US and UK has been around when extraordinary monetary policy can be removed as economic growth has been better and unemployment rates have fallen. Nevertheless expectations of the timing for interest rate increases were pushed into 2015 and beyond due to concerns over low inflation and growth both domestically and in other regions.

The fiscal year had begun with markets being concerned over Russia/Ukraine tensions which continued to overhang market sentiment and allied with rising Middle Eastern tensions, provided an uneasy backdrop throughout the year. On a positive note the banking system in the US carried on improving and also in Europe, where there were signs of stability and even growth in the peripheral countries such as Italy and Spain. Overall Europe is better placed to withstand shocks, which is vital given the on-going bailout and restructuring in Greece.

The Chinese authorities continued to encourage the economy to rebalance. More recently the slowdown in the pace of Chinese economic growth and the devaluation of the currency has unnerved global markets.

Returns in all of the asset classes were positive with the exception of the Fund's Emerging Market benchmark which was the worst performer for the third year running, falling by 4.5%. As we reflected last year, this bespoke benchmark includes Latin America, Russia, South Africa and Emerging Europe. The Russia/Ukraine tensions as well as continuing unfavourable domestic policies in a number of these areas undermined market sentiment and subdued returns. These markets have higher exposure to global growth as the indices tend to be heavily weighted towards basic materials. Oil prices fell as OPEC left

production unchanged in the face of increased supply from new entrants and commodity prices came under further pressure.

Whilst the Chinese authorities are still encouraging the economy to rebalance and growth is slowing, the Japanese and Asian equity markets both exhibited strong performances overall. The Fund had increased weightings in Asia as valuations looked relatively attractive and political developments in countries such as India and Indonesia had the potential to create positive structural reforms.

The UK equity market was the second worst performer, with single digit returns. This reflected a high weighting in the index of poorly performing oil and basic industrials and lacklustre demand once the overseas interest in potential takeover targets fizzled out. Corporate balance sheets outside the emerging markets remained strong and corporate activity has picked up again in recent months. Bond markets performed well, reflecting subdued inflation and the realisation that interest rates would be lower for longer in developed economies taking already low yields to multi-year lows. The spread of bond returns was wide with longer-dated bonds out-performing shorter dated bonds.

Sterling strengthened against the euro and the Japanese yen but weakened against the US dollar over the year.

The UK real estate market once again performed well, with the IPD benchmark returning 17.1% as demand from domestic and overseas investors remained high. In most sectors tenant demand for prime properties was buoyant.

The Fund began the year overweight equities, although with many developed equity markets close to all-time highs we had moderated the weightings in those areas that have performed well such as North American equities, whilst beginning to increase the Asian exposure. We remained nervous on emerging markets. In bonds the focus was on the effects of rising interest rates into 2015 and we were cautious. In reality as interest rate increases were delayed and inflation was lower than expected, bonds performed very well.

Investment Report

Asset allocation and benchmarks

The Trustees and their advisers have set bandwidths around the strategic benchmarks shown below. The strategic benchmark is composed of assets which can broadly be categorised as having a principal focus of either return seeking or liability matching. The bandwidths around the strategic benchmark allow BAPIML to make tactical asset allocation decisions to take advantage of valuation differentials between asset classes which may occur from time to time. The actual allocation shown was within the allowed bandwidths. Since 2011 the decision to hedge overseas currency is a tactical decision to be taken by BAPIML, within allowed limits.

The Rothesay Life buy-in transaction or longevity swap does not form part of the benchmarks and performance returns.

Strategic benchmark and performance

The Trustees' Investment Committee sets a business plan each year which deals with the annual monitoring of performance and activities such as corporate governance alongside work on developing the strategic benchmark to improve the risk return profile of the Fund where possible, as well as having a trigger based dynamic governance framework to be able to take advantage of opportunities as they arise.

AllenbridgeEpic Investment Advisers Ltd monitor the Investment Committee's achievement against the business plan and during the year the committee met the targets.

The Trustees' Investment Committee revised the strategic benchmark, reducing return seeking assets by 2.5% and introducing a cash weighting into the benchmark, whilst waiting to deploy the cash into bond derivatives. All return seeking asset classes were reduced, with a bias towards a greater reduction in the less liquid asset classes to take advantage of exit opportunities. The Investment Committee reviews the liquidity of the asset portfolio annually. During the year, the Fund increased the inflation hedge ratio as inflation rates fell and reached a level which was considered attractive for long term hedging in the yield trigger framework developed by the Investment Committee.

The performance of the Fund is shown in the three tables on the following page. Table 1 shows the performance of the Fund including the liability hedging portfolio which includes the derivatives held to hedge interest rate and inflation risk. Table 2 and Table 3 show the performance of the Fund compared to agreed strategic benchmarks. Table 2 shows the performance including overseas currency hedging (as described on page 15) and Table 3 shows the performance excluding overseas currency hedging.

Asset category		Actual % 31 Mar 2015	Benchmark % 31 Mar 2015	Actual % 31 Mar 2014	Benchmark % 31 Mar 2014
Return Seeking	Equities	11.6	9.4	12.9	10.7
	UK	2.7	2.8	3.6	3.2
	Overseas	8.9	6.6	9.3	7.5
	Private equity	1.4	1.8	1.8	2.0
	Alternatives	4.3	4.5	4.2	5.0
	Property	5.2	5.5	4.8	6.0
	Loan notes	1.0	-	1.6	-
Liability Matching	Real assets	1.3	1.0	1.3	1.0
	Bonds	73.5	75.3	71.3	75.3
	UK fixed	15.6	15.5	14.1	15.5
	Overseas fixed	-	-	1.2	-
	UK Index-linked	57.4	59.8	50.5	59.8
Overseas index-linked	0.5	-	5.5	-	
Cash	1.7	2.5	2.1	-	
Total	100	100	100.0	100.0	

Investment Report

Table 1 – Inc interest rate and inflation swaps

Fiscal years to 31 March 2015	1 year %p.a.	3 years %p.a.	5 years %p.a.	10 years %p.a.
Fund return	13.86	7.74	8.89	8.04

Since 1 April 2011 the decision to hedge overseas currency is a tactical decision to be taken by BAPIML, within allowed limits. Prior to that date a strategic hedge ratio was set. The long run returns are shown below including the hedging up to that date.

**Table 2 – Inc hedging
(ex interest rates and inflation swaps)**

Fiscal years to 31 March 2015	1 year %p.a.	3 years %p.a.	5 years %p.a.	10 years %p.a.
Fund return	14.32	7.81	8.93	8.06
Benchmark	14.80	7.84	8.92	7.97

Tactical asset allocation and stock selection performance

The fund managers are set an outperformance target of 0.3% per annum relative to the strategic benchmark on a rolling five year period. Since 1 April 2011 the decision to hedge overseas currency is a tactical decision to be taken by BAPIML, within allowed limits. The long term returns excluding hedging up to that date and are shown below.

Table 3 – Ex-hedging, benchmark interest rate and inflation swap

Fiscal years to 31 March 2014	1 year %p.a.	3 years %p.a.	5 years %p.a.	10 years %p.a.
Fund return	14.32	7.81	8.91	8.14
Benchmark	14.80	7.84	8.90	8.05
Relative performance	(0.42)	(0.03)	0.01	0.09

In the year under review (1 April 2014 to 31 March 2015) the Fund underperformed the benchmark. In relation to the outperformance target of 0.3% per annum relative to the strategic benchmark over a rolling five year period, the Fund underperformed (returning 8.91% compared to a benchmark return of 8.9%).

The fixed government bond portfolio underperformed the benchmark for the second year running, and this damaged the long term performance record. The Fund was underweight longer dated maturity bonds relative to benchmark which outperformed when yields fell. Corporate bonds also underperformed in the latest year due to sector selection. Within the portfolio there were positive contributions from tactical asset allocation and in equities the North American, Japanese and emerging market portfolios outperformed. Over the last five years the UK, European, Japanese and emerging market equity portfolios exceeded the outperformance targets, as did property and alternative assets.

The Fund outperformed the benchmark in every rolling 10 year period over the last ten years.

Fund's 10 largest holdings as at 31 March 2015

Stock Name	Security Type	£m	% Portfolio
UK Treasury 0.125% Index-Linked 2029	Government Bond	365.0	4.6
UK Treasury 1.875% Index-Linked 2022	Government Bond	342.1	4.3
Network Rail 1.75% Index-Linked 2027	Government Bond*	293.0	3.7
UK Treasury 1.25% Index-Linked 2027	Government Bond	263.3	3.3
UK Treasury 1.25% Index-Linked 2017	Government Bond	262.4	3.3
UK Treasury 1.25% Index-Linked 2032	Government Bond	259.3	3.2
UK Treasury 0.75% Index-Linked 2034	Government Bond	230.5	2.9
UK Treasury 0.625% Index-Linked 2042	Government Bond	202.9	2.5
UK Treasury 0.125% Index-Linked 2019	Government Bond	202.3	2.5
UK Treasury 1.125% Index-Linked 2037	Government Bond	170.2	2.1

*Government Guaranteed Corporate Bond

Investment Report

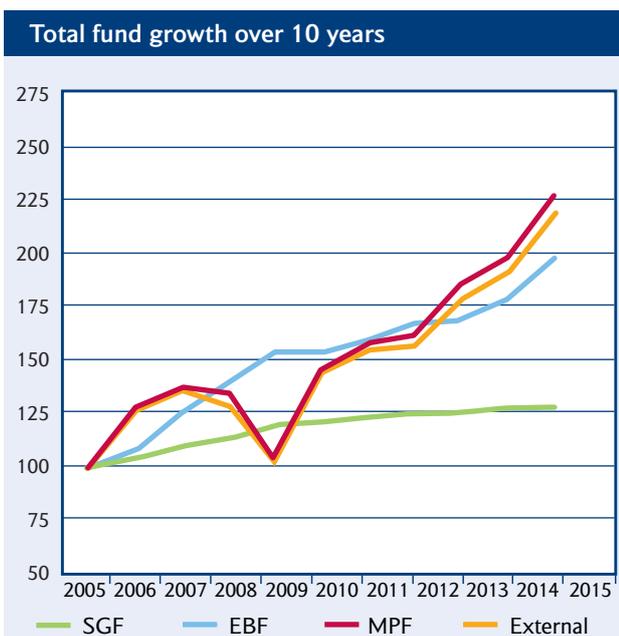
The results in table 3 include BAPIML's tactical performance managing the interest rate and inflation swaps in the liability hedging portfolio.

AVCs

The MPF returned 13.85% in the year to March 2015. The Trustees set a benchmark for each type of asset (shares, bonds etc.) held within the Fund and use this to monitor the Fund's performance. The Fund outperformed the benchmark by 0.46% over the year as the benchmark returned 13.33% overall. Whilst the Fund has also exceeded the benchmark over three, five and ten years it did not achieve the investment objective to outperform the benchmark by 0.5% per annum over five years. The MPF returns were below those of other large AVC providers in the market place over the latest year, which returned an average of 14.02%. Over the longer term however, the Fund performance exceeded external providers when measured over three, five and ten years.

In the year to March 2015, the Short Dated Gilt Fund returned 1.08% and the Equity Biased Fund returned 9.98%. Further information on the performance of the Funds can be found in the annual AVC Funds Investment commentary at www.mybapensions.com.

The long term returns for all of the AVC Funds are shown in the chart and table below.



Fund	EBF %	SGF %	MPF %	External %
10 years	6.98	2.52	8.49	8.09
5 years	5.06	1.08	9.28	8.60
3 years	5.69	0.78	11.98	11.58
1 year (to 2015)	9.98	1.08	13.85	14.02

The MPF benchmark has a high weighting in equities, standing at 80%. In the latest year, returns in all of the asset classes were positive with the exception of the Fund's emerging market benchmark which was the worst performer for the third year running, falling by 4.5%. All of the international equity portfolios exceeded or met their respective benchmark returns. Bond markets performed well, reflecting subdued inflation and the realisation that interest rates would be 'lower for longer' in developed economies. The Fund benefitted from the currency and asset allocation positions relative to the benchmark. In particular the Funds were overweight US dollar assets and underweight euro denominated assets.

The MPF hedges a proportion of holdings in overseas assets by converting these back to sterling. These returns are shown as the 'including hedging' returns in the following table. From 1 January 2012 the currency hedging was incorporated into the strategic benchmark and will be tactically managed by BAPIML within agreed tolerances, a similar policy to NAPS.

Fiscal years to 31 March 2015	1 year %p.a.	3 years %p.a.	5 years %p.a.	10 years %p.a.
Inc hedging				
MPF	13.85	11.97	9.27	8.49
Ex hedging				
MPF	13.85	11.97	9.30	9.16
Benchmark	13.33	11.74	8.97	8.75
Relative performance	0.46	0.20	0.31	0.38

Investment Report

Corporate governance

The fund managers follow the UK Stewardship Code, which has its origins in the earlier Code of Responsibilities of Institutional Investors issued by the Institutional Shareholders' Committee (ISC) set out to improve and enhance the quality of engagement between companies and institutional investors. The fund managers monitor and engage with companies on aspects of corporate governance and exercising voting rights in all regions through our custodian bank. Research and monitoring

aspects of corporate social responsibility are also taken into account to assess impacts on shareholder value. In respect of climate change, the fund manager participates in the carbon disclosure project investor initiatives to encourage investee companies to disclose their impact on the environment and natural resources. The outcomes of these programmes are reported back to the Trustees of APS and NAPS on an annual basis. The voting records of the fund manager are held on our website; www.mybapension.com on the 'Corporate Governance' page. These records are updated each year.

Independent Auditor's Report

Independent auditor's report to the Trustees

We have audited the financial statements of the Airways Pension Scheme for the year ended 31 March 2015 set out on pages 19 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our audit work has been undertaken so that we might state to the Scheme Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and the auditor

As explained more fully in the statement of Trustees' responsibilities set out on page 12, the Scheme's Trustees are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year ended 31 March 2015 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of, and the Schedule to, the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Karen MacKenzie

**For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants**

Date: 27 October 2015

**15 Canada Square
Canary Wharf
London E14 5GL**

Fund Account

	Note	2015 £'m	2014 Restated £'m
Contributions and benefits			
Contributions	4	73.5	68.7
Benefits	5	(374.3)	(369.5)
Leavers	6	(8.7)	(5.6)
Administrative expenses	7	(6.9)	(5.3)
		<u>(389.9)</u>	<u>(380.4)</u>
Net withdrawals from dealings with members		<u>(316.4)</u>	<u>(311.7)</u>
Return on Investments			
Investment income	8	104.3	116.5
Change in market value of investments	9	615.4	(484.1)
Investment management expenses	15	(6.4)	(6.4)
Net return/(loss) on investments		<u>713.3</u>	<u>(374.0)</u>
Net increase/(decrease) in the Fund during the year		396.9	(685.7)
Net assets of the Scheme as previously reported		7,273.4	7,845.4
Prior year adjustment		(161.1)	(47.4)
Net assets of the Scheme as restated		7,112.3	7,798.0
Net assets of the Scheme at the end of the year		<u><u>7,509.2</u></u>	<u><u>7,112.3</u></u>

Net Assets Statement

	Note	2015 £'m	2014 Restated £'m
Investment assets:			
Equities		743.3	739.9
Fixed interest securities		1,019.6	939.0
Index-linked securities		6,564.4	5,406.4
Property		317.7	267.8
Derivatives		24.6	26.8
Alternative investments		348.6	317.4
Private equity		85.5	100.2
AVC mixed portfolio fund		19.5	20.2
Cash		93.5	101.0
Other investment balances		29.9	34.8
		9,246.6	7,953.5
Investment liabilities:			
Derivatives			
Other investment balances		(1,721.8)	(819.5)
		(2.5)	(9.6)
		7,522.3	7,124.4
Total net investments	9,10,11,12,13,14	7,522.3	7,124.4
Current assets		0.4	0.6
Current liabilities		(13.5)	(12.7)
		7,509.2	7,112.3
Net assets of the Scheme at 31 March		7,509.2	7,112.3

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year. The actuarial position of the Scheme, which takes into account such obligations, is dealt with on page 5 of the Trustees' report and these financial statements should be read in conjunction with this report.

These financial statements were approved by the Board of Trustees on 30 September 2015 and were signed on their behalf by:

Paul Spencer, CBE **Management Trustee**

Paul Douglas **Management Trustee**

Teresa Suriyae **Scheme Secretary**

Notes to the Financial Statements

1. Basis of preparation

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 and the guidance set out in the Statement of Recommended Practice Financial Reports of Pension Schemes (Revised May 2007). In the current year minor presentational changes have been made for compliance purposes.

2. Prior year adjustments

The Trustees have identified that when the new SORP has to be adopted in the 31 March 2016 financial statements an accounting policy change will be required regarding the fair value measurement of the Rothesay Life Artemis and Concerto swap contracts. Previously such swap contracts were measured at a historic cash flow basis. The new SORP changes this basis to a market consistent valuation basis.

The Scheme is due an actuarial valuation as at 31 March 2015 and as the new accounting policies are permissible under the current accounting framework; the Trustees have adopted these particular changes required by the SORP one year early and restated the comparative balances in these financial statements.

The Artemis contract which was previously recognised as one single asset (Rothesay Life buy-in) and measured on the premium value basis is now re-classified into a bond (index linked security), an asset swap and a longevity swap. The bond had previously not been recognised separately but measured as part of the Rothesay Life buy-in asset. For the Concerto longevity swap and the longevity and asset swap element of the Artemis contract the valuation methodology changes from a historic cash flow basis to a market consistent valuation basis.

The prior year adjustments resulting from these changes in accounting policy reduces the opening net assets as at 1 April 2013 by £47.5m, and the opening net assets as at 1 April 2014 by £161.1m, with a resulting effect on the Net (loss)/return on investments of £113.7m during the year ended 31 March 2014. This represents the cash flows arising on the Rothesay Life buy-in asset which were previously included in investment income of £66.9m and a change in market value of £46.8m resulting from the change in the measurement basis.

The net asset statement for the comparative period has been restated as follows:

	31 March 2014 as previously stated	Adjustment	31 March 2014 as restated
Rothesay Life buy-in insurance policy	£1,679.6m	£(1,679.6)m	£Nil
Index-linked securities backing Rothesay Life swaps	£Nil	£2,274.0m	£2,274.0m
Derivative assets	£20.8m	£6.0m	£26.8m
Derivative liabilities	£(58.0)m	£(761.5)m	£(819.5)m

The fund account for the comparative period has been restated as follows:

Change in market value	(437.3)	(46.8)	(484.1)
Investment income	183.4	(66.9)	116.5

Notes to the Financial Statements

3. Accounting policies

The principal accounting policies of the Scheme are as follows:

a. Contributions

- i. Members' contributions, including AVCs, are accounted for when they are deducted from pay by the Employer.
- ii. Employer normal contributions are accounted for on the same basis as the members' contributions, in accordance with the Schedule of Contributions in force during the year. Employer normal contributions include contributions payable to the Scheme under salary sacrifice arrangements.
- iii. Employer augmentation contributions are accounted for in accordance with the agreement under which they are payable.
- iv. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the Schedule of Contributions or on receipt if earlier with the agreement of the Employer and the Trustees.
- v. Income from cash and short term deposits is accounted for on an accruals basis.

b. Payments to members

- i. Pensions in payment are accounted for in the period to which they relate.
- ii. Benefits are accounted for in the period in which the member notifies the Trustees of their decision on the type or amount of benefit to be taken, or if there is no member choice, the date of retiring or leaving.
- iii. Individual transfers in or out of the Scheme are accounted for when member liability is accepted or discharged which is normally when the transfer amount is paid or received.

c. Administrative and investment management expenses

Expenses are accounted for on an accruals basis.

d. Investment income

- i. Dividends from equities are accounted for on the ex-dividend date.
- ii. Income from bonds is accounted for on an accruals basis and includes interest bought and sold on investment purchases and sales.
- iii. Rental income is accounted for on an accruals basis.

e. Investment change in market value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

f. Investments

Investments are included at fair value as described below:

- i. Quoted securities in active markets are usually valued at either the current bid price or the last traded price, depending on the convention of the stock exchange on which they are quoted, at the reporting date.
- ii. Private equity and alternative investments are valued at the best estimate of fair value taking the latest available valuations issued by the managers and adjusting for any cash movements occurring between the date of the valuation and the Scheme year-end.
- iii. Accrued interest is excluded from the market value of fixed income securities and is included in investment income receivable.
- iv. Exchange traded derivatives are stated at market value determined using market quoted prices.
- v. Over the counter (OTC) derivatives are stated at fair value.
- vi. Swaps are valued taking the current value of the future cash flows arising from the swap determined using discounted cash flow models and relevant market data at the reporting date.

Notes to the Financial Statements

f. Investments (continued)

vii. Longevity swaps are valued on a fair value basis based on the expected future cash flows arising under the swap discounted using market interest rates and taking account of the risk premium inherent in the contract.

g. Rothesay Life swaps

The Scheme has entered into two contracts with Rothesay Life.

Firstly, the Artemis contract which is structured as one contract with two components – an asset swap and a longevity swap. The Scheme pays a fixed stream of cash flows based on an underlying portfolio of assets in exchange for a floating stream of cash flows which represent 24% (2014: 24%) of the actual pension payments due to the members who are covered by the contract.

Secondly, the Concerto contract, a longevity swap, where a further 20% (2014: 20%) longevity risk has been hedged through a second longevity swap with Rothesay Life. The swaps are valued at fair value in accordance with the accounting policy set out above.

Collateral is posted between the Scheme and Rothesay Life as the asset and longevity swap values change; as the contract matures over time and as life expectancy changes over time.

The assets used by the Scheme to purchase the swap under the Artemis contract are still held by the Scheme and they have been recognised separately in the financial statements.

Cash flows from the longevity swaps are recorded as movement on investments as either sales or purchases within the investment movements table.

h. Unitised funds

The investment assets of the property fund, the private equity fund and the Additional Voluntary Contribution mixed portfolio fund are included in the financial statements at the market value of units held by the Scheme at the year end.

Investment properties have been valued in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards UK PS 1.1 Valuation for Financial Statements taking into consideration the current estimate of the rental values and market yields. The valuations have been carried out by Cushman & Wakefield, chartered surveyors, who have the appropriate knowledge and experience to value such assets. The Scheme's interest in the Tesco Red Limited Partnership has been accounted for as an associate using the equity method.

Indirect property investments in the unitised funds are included at year-end open market valuations and have been valued at the latest valuation provided by each of the external managers.

Income from property rentals in the unitised funds is included on an accruals basis and is net of outgoings including managing agents' fees.

i. Foreign currencies

Monetary items denominated in foreign currency are translated into sterling using the closing exchange rates at the Scheme year end. Foreign currency transactions are recorded in sterling at the spot exchange rate at the date of the transaction.

Notes to the Financial Statements

4. Contributions

	2015 £'m	2014 £'m
Employer		
Normal	8.1	8.9
Deficit funding - regular	55.0	55.0
Deficit funding – cash sweep	5.8	-
Member		
Normal	0.2	0.3
Additional voluntary contributions	4.4	4.5
	<u>73.5</u>	<u>68.7</u>

Employer normal contributions include contributions in respect of salary sacrifice arrangements.

Deficit funding contributions of £4.6m (2014: £4.6m) per month are due until 31 March 2023 in order to remove the deficit.

5. Benefits paid or payable

	2015 £'m	2014 £'m
Pensions	359.8	357.4
Commutations of pensions and lump sum retirement benefits	14.4	11.8
Lump sum death benefits	0.1	0.3
	<u>374.3</u>	<u>369.5</u>

6. Payment to and on account of leavers

	2015 £'m	2014 £'m
Individual transfers to other schemes	<u>8.7</u>	<u>5.6</u>

7. Administrative expenses

The Scheme bears the cost of administration. However, the levies required by the Pension Protection Fund are payable by BA Plc. The Airways Pension Scheme bears 30% (2014: 35%) of the costs of BAPSL except where a cost relates specifically to the Scheme. The administrative expenses include the in-house costs of running the BAPSL team who provide pension administration services, finance operations and secretariat support. They also include the costs of external advisers engaged by the Trustees including the auditor, actuary, financial advisers, lawyers and compliance costs. The split of costs at the year-end are as follows:

	2015 £'m	2014 £'m
BAPSL in-house administration and processing	1.6	1.9
External professional fees	5.3	3.4
	<u>6.9</u>	<u>5.3</u>

Notes to the Financial Statements

8. Investment income

	2015	2014
	£'m	As restated £'m
Dividends from equities	21.4	21.6
Income from fixed interest securities	42.0	43.8
Income from index-linked securities	36.8	47.9
Net rents from properties	1.4	1.2
Interest on cash deposits and foreign currency revaluation	1.3	0.5
Other income	1.4	1.5
	<u>104.3</u>	<u>116.5</u>

9. Reconciliation of investments

	Value at 31 March 2014 as previously stated	Prior year adjustment	Value at 31 March 2014	Purchases at cost and derivative payments	Sales proceeds derivatives receipts	Change in market value	Value at 31 March 2015
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Equities	739.9	-	739.9	474.0	(550.1)	79.5	743.3
Fixed interest securities	939.0	-	939.0	205.5	(256.0)	131.1	1,019.6
Index-linked securities							
Rothsay Life assets	-	2,274.0	2,274.0	-	-	730.4	3,004.4
Index-linked securities	3,132.4	-	3,132.4	1,648.2	(1,620.2)	399.6	3,560.0
Property	267.8	-	267.8	36.5	(30.9)	44.3	317.7
Derivatives							
Rothsay Life swaps	-	(811.4)	(811.4)	10.8	(85.6)	(789.3)	(1,675.5)
Swaps	(45.2)	55.9	10.7	3.9	-	(24.4)	(9.8)
Futures	1.0	-	1.0	14.6	(14.2)	(0.5)	0.9
Forward foreign exchange	7.0	-	7.0	26.0	(31.3)	(14.5)	(12.8)
Rothsay Life buy-in	1,679.6	(1,679.6)	-	-	-	-	-
Alternative investments	317.4	-	317.4	43.4	(59.7)	47.5	348.6
Private equity	100.2	-	100.2	6.8	(30.7)	9.2	85.5
AVC mixed portfolio fund	20.2	-	20.2	1.7	(4.9)	2.5	19.5
	<u>7,159.3</u>	<u>(161.1)</u>	<u>6,998.2</u>	<u>2,471.4</u>	<u>(2,683.6)</u>	<u>615.4</u>	<u>7,401.4</u>
Cash	101.0	-	101.0				93.5
Other investment balances	25.2	-	25.2				27.4
	<u>7,285.5</u>	<u>(161.1)</u>	<u>7,124.4</u>				<u>7,522.3</u>

The change in market value includes income of £11.2m (2014: £11.2m) in relation to the property unitised fund and £0.5m (2014: £0.5m) in relation to the AVC mixed portfolio fund. Included within the above purchase and sales figures are transaction costs of £1.7m (2014: £1.7m). Pooled investment vehicle costs are taken into account when calculating the bid/offer spread of these investments.

Notes to the Financial Statements

10. Investments	2015 £'m	2014 £'m Restated
Equities:		
UK quoted	180.6	264.9
Overseas quoted	562.7	475.0
	<u>743.3</u>	<u>739.9</u>
Fixed interest securities:		
UK public sector quoted	285.6	195.7
UK other quoted	665.7	584.7
Overseas quoted	3.6	68.6
Overseas unquoted other	64.7	90.0
	<u>1,019.6</u>	<u>939.0</u>
Index-linked securities:		
UK public sector quoted backing Rothesay Life swap	3,004.4	2,274.0
UK public sector quoted	3,001.5	2,369.2
UK other quoted	527.4	458.9
Overseas quoted	31.1	304.3
	<u>6,564.4</u>	<u>5,406.4</u>
Property	317.7	267.8
Derivatives:		
Rothesay Life longevity swaps	17.2	6.0
Swap	2.8	11.3
Futures – exchange traded	0.9	1.0
Forward foreign exchange	3.7	8.5
	<u>24.6</u>	<u>26.8</u>
Alternatives:		
UK	93.4	87.4
Overseas	255.2	230.0
	<u>348.6</u>	<u>317.4</u>
Private equity:		
UK	5.6	8.1
Overseas	79.9	92.1
	<u>85.5</u>	<u>100.2</u>
AVC mixed portfolio fund	19.5	20.2
Cash:		
Cash deposits	109.8	106.4
Net collateral due	(16.3)	(5.4)
	<u>93.5</u>	<u>101.0</u>
Other investment assets	29.9	34.8
Total investment assets	<u>9,246.6</u>	<u>7,953.5</u>

Notes to the Financial Statements

10. Investments (continued)

	2015 £'m	2014 £'m Restated
Derivatives liabilities:		
Swaps	(12.6)	(0.6)
Rothesay Life swap	(1,692.7)	(817.4)
Forward foreign exchange	(16.5)	(1.5)
	<u>(1,721.8)</u>	<u>(819.5)</u>
Other investments liabilities	(2.5)	(9.6)
Total investment liabilities	<u>(1,724.3)</u>	<u>(829.1)</u>

There were 2 individual investments which comprised greater than 5% of the net assets of the Scheme; the 2050 Treasury index-linked gilt 0.5% (32.3%, 2014 25.8%) and the Artemis asset swap (22.5%, 2014: 11.5%). In 2014 individual investments which comprised greater than 5% of the net assets of the Scheme were the Treasury 1.25% Index-Linked 2027 which represented 14.8% of the net assets of the Scheme and the Treasury 0.125% Index-Linked 2029 gilt stock which represented 10.1%.

11. Unitised funds

Included within the property, alternatives and private equity values are a number of investments which are held jointly in unitised funds on behalf of the Airways Pension Scheme and the New Airways Pension Scheme. As at 31 March 2015 the value of these funds are as follows:

Property	% held	2015 £'m	2014 £'m
Property unitised fund			
UK property		248.8	203.6
Property unit trusts		19.0	19.8
Other managed funds		17.9	14.0
Other		0.3	(1.0)
Total property unitised	21.11%	<u>286.0</u>	<u>236.4</u>
Direct investments		<u>31.7</u>	<u>31.4</u>
		<u>317.7</u>	<u>267.8</u>

Property unit trusts valued at £14.1m (2014: £15.2m) were managed by companies operated outside the UK and £4.8m (2014: £4.6m) in the UK. For the managed funds £15.0m (2014: £9.5m) were managed by Jersey companies and £2.9m (2014: £4.5m) by UK companies.

Notes to the Financial Statements

11. Unitised funds (continued)

Included in the investments are securities loaned as at 31 March 2015 of £190.6m (2014: £956.4m). The loans are covered by collateral dependent on the types of securities loaned and collateral used. If the collateral is in the same currency as the loaned securities collateral of 102% of the aggregate market value is required or if the collateral is not all denominated in the same currency as the loaned securities 105% is required. The only exception is for fixed income loans for which the principal trading market is outside the United States where the collateral requirement is 100%.

Alternatives	% held	2015 £'m	2014 £'m
Alternatives unitised fund	50.63%	2.4	11.2
Direct investments		346.2	306.2
		<u>348.6</u>	<u>317.4</u>

All the alternative investments are managed funds.

Private equity	% held	2015 £'m	2014 £'m
Private equity unitised fund	50.63%	20.9	23.5
Direct investments		64.6	76.7
		<u>85.5</u>	<u>100.2</u>

All the private equity investments are managed funds.

12. Derivative contracts

The Scheme uses derivative instruments for both investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange, longevity and liquidity risks arising in the normal course of business.

Rothsay Life swaps

The Scheme holds an asset swap and 2 longevity swaps with Rothsay Life (2014: 1 asset swap and 2 longevity swaps). The Artemis contract covers 24% (2014: 24%) of the Scheme's pensioner liabilities, and provides protection against the pensioners living longer, and interest and inflation rates movements. The Concerto contract covers 20% (2014: 20%) of the Scheme's pensioner longevity risk and provides protection against the pensioners living longer.

The total net investment of £7,522.3m shown on page 20 includes Artemis and Concerto swap contract assets that comprise:

Index-linked securities	2015 £'m	2014 £'m
United Kingdom public sector quoted		
2050 index-linked gilt 0.5%	2,426.3	1,833.8
2052 index-linked gilt 0.25%	189.4	139.1
2044 index-linked gilt 0.125%	209.3	162.3
2047 index-linked gilt 0.75%	179.4	138.8
	<u>3,004.4</u>	<u>2,274.0</u>
Artemis asset swap	(1,692.7)	(817.4)
Artemis longevity swap	6.3	1.2
Concerto longevity swap	10.9	4.8
	<u>1,328.9</u>	<u>1,462.6</u>

Notes to the Financial Statements

12. Derivative contracts (continued)

For collateral purposes there is a fixed charge, agreed at the outset of the Artemis contract which represents the collateral Rothesay Life, as insurer, could expect to receive if the Scheme defaulted. This reduces over the life of the contract.

A proportion of the Scheme's UK Treasury index-linked 1.25% 2032 and 0.5% 2050 positions are held in fixed charge accounts to the order of Rothesay Life to cover their longevity risk exposure and also the fixed charge. The value of this proportion for the Concerto contract was £59.2m as at 31 March 2015 (2014: £62.4m). The value of the proportion for the Artemis contract was £76.9m as at 31 March 2015 (2014: £83.1m). The gilts are also used to cover the collateral requirements of the asset swap. See note 13 for the collateral values.

Inflation-linked swaps

The Scheme had 35 (2014: 31) inflation-linked swap contracts with a combined value of £(9.7m) (2014: £10.7m) as at the year-end. The total notional value of the contracts amounted to £391.6m (2014: £272.4m).

Futures

The Scheme had exchange traded UK and overseas stock index futures outstanding at the year-end relating to its equity portfolio as follows:

Nature		Notional Amount	Duration	Fair Value £'m
FTSE 100 stock futures	Sold	£(2,390)	June 2015	0.1
Total UK Futures				0.1
DJ STX 50 stock futures	Bought	€2,560	June 2015	0.1
EMINI S&P stock futures	Sold	\$(39,550)	June 2015	0.1
Topix stock futures	Bought	¥4,450,000	June 2015	0.6
Total overseas futures				0.8
				0.9

Included within cash balances are £4.6m (2014: £6.9m) in respect of initial and variation margins arising on open futures contracts at the year end.

Notes to the Financial Statements

12. Derivative contracts (continued)

Foreign currency risk

The Scheme holds investments in a number of currencies and their policy is to hedge within agreed limits.

The Scheme enters into foreign exchange forward contracts to offset the impact of currency fluctuations in foreign currency. The open FX contracts at the year-end were as follows:

Period	Maturity Date	Nominal Value £'m	Fair Value £'m
EUR			
Forward to sell EUR	May 15-May 15	€ 19.14	1.3
Forward to buy EUR	May 15-May 15	€ 0.44	(0.0)
Forward to sell EUR	Jun 15-Jun 15	€ 0.67	0.0
Forward to sell EUR	Jul 15-Jul 15	€ 99.00	2.4
Forward to buy EUR	Jul 15-Jul 15	€ 38.80	(1.1)
USD			
Forward to sell USD	Apr 15-Jul 15	\$114.00	(5.0)
Forward to sell USD	May 15-May 15	\$152.00	(5.9)
Forward to sell USD	Jun 15-Jun 15	\$28.50	(0.7)
Forward to sell USD	Jul 15-Jul 15	\$33.30	(0.5)
Forward to sell USD	Aug 15-Aug 15	\$120.90	(3.3)
			<u>(12.8)</u>

13. Collateral

Collateral is used by the Scheme to manage counterparty risk. The collateral balances at the year-end are as follows:

Counterparty	Type collateral	Pledge £'m	Derivative position
Rothesay Life	UK Gilt/Cash	(1,735.0)	Asset swap/longevity swap
Barclays	UK Gilt	(6.8)	FX forwards & inflation swaps
Goldman Sachs	Cash	0.1	FX forwards & inflation swaps
Morgan Stanley	UK Gilt	(6.7)	FX forwards
RBS	UK Gilt	(2.1)	FX forwards & inflation swaps
UBS	UK Gilt/Cash	0.7	FX forwards & inflation swaps
JP Morgan	UK Gilt	(3.1)	FX forwards & inflation swaps
		<u>(1,752.9)</u>	

Collateral pledged with counterparty is reflected as a negative value.

Notes to the Financial Statements

14. Additional Voluntary Contributions (AVCs)

Internal AVC Schemes

There are three additional voluntary contribution funds. The mixed portfolio fund, which is a separately managed unitised fund, the short-dated gilts fund and the equity biased fund, which are held within the investments. The values of these funds are as follows:

	% held	2015 £'m	2014 £'m
Mixed portfolio fund			
Equities		16.4	16.9
Fixed Interest		2.7	2.7
Cash		0.4	0.6
Total mixed portfolio fund	12.69%	19.5	20.2
Short-dated gilts fund		2.8	2.9
Equity biased fund		25.7	22.8
Total value of AVC funds		48.0	45.9

15. Investment management expenses

The Scheme bears the cost of investment management expenses. The Airways Pension Scheme bears 50% (2014: 50%) of the costs of BAPIML except where a cost relates specifically to the Scheme.

16. Contingent liabilities and contractual commitments

The following contractual commitments existed at the year-end:

	2015 £'m	2014 £'m
Property unitised fund	19.4	7.1
Alternative investments	31.3	17.7
Private equity	31.7	41.6
	82.4	66.4

17. Self-investment

The Scheme holds no direct investment in BA Plc or any shares or other securities as defined by section 40 of the Pensions Act 1995.

Notes to the Financial Statements

18. Related party transactions

BAPSL provides secretariat and financial administration services to the British Airways Retirement Pension Plan. BA Plc is recharged for these services. BA Plc provide occasional services to the Scheme (e.g. recruitment, advice on contracts for the purchase of equipment) for which the Scheme is not recharged.

Some of the Trustees appointed by BA Plc are members or pensioners of APS or NAPS with the exceptions of Paul Spencer, Peter Simpson and Philip Osmond who are not members of the Scheme. If they are members or pensioners then their pension rights are on terms normally granted to members.

Paul Spencer was remunerated by BA Plc in respect of his services as Chairman of the Trustees and Alan Buchanan was remunerated by the Company in respect of his services as an Employer appointed Trustee. Pensioner elected Trustees were also eligible for payment by the Company.

BAPTL, a company limited by guarantee, holds the assets on behalf of the Scheme as Custodian Trustee, including the assets of the unitised funds. The directors of BAPTL are all Trustees of APS or NAPS. The companies described below are all wholly owned by BAPTL.

BAPSL provides administration services and BAPIML provides investment management services.

British Airways Pension Property Holdings Ltd and British Airways Property Holdings (Number 2) Ltd hold the legal title to some of the properties held by the Scheme.

British Airways Pension APS Nominees Ltd, a 100% owned subsidiary of BAPTL, holds the legal title to units held in the Jersey Property Unit Trust for investment in the Tesco Red Limited Partnership. The Jersey Property Unit Trust holds 49.95% interest in The Tesco Red Limited Partnership UK Ltd (LP). BAPTL has 50% ownership of Tesco Red (GP) Ltd of which 70% is held in its capacity as Custodian Trustee for the Scheme.

Independent Auditor's Statement About Contributions

Independent auditor's statement about contributions to the Trustees

We have examined the summary of contributions payable under the schedule of contributions to the Airways Pension Scheme in respect of the Scheme year ended 31 March 2015, which is set out on page 34.

This statement is made solely to the Scheme's Trustees, as a body, in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Scheme's Trustees those matters we are required to state to them in an auditor's statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's Trustees, as a body, for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of the Trustees and the auditor

As explained more fully in the statement of Trustees' responsibilities set out on page 34, the Scheme's Trustees are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme. The Trustees are also responsible for keeping records in respect of contributions received in respect of active members of the scheme and for monitoring whether contributions are made to the Scheme by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the Scheme and to report our opinion to you.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the schedule of contributions.

Statement about contributions payable under the schedule of contributions

In our opinion contributions for the Scheme year ended 31 March 2015 as reported in the summary of contributions and payable under the schedule have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 28 June 2013.

Karen MacKenzie

**For and on behalf of KPMG LLP, Statutory Auditor,
Chartered Accountants**

Date: 27 October 2015

**15 Canada Square,
Canary Wharf, London, E14 5GL**

Summary of Contributions

Statement of Trustees' responsibilities in respect of contributions

The Scheme's Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Scheme by or on behalf of the employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Scheme's Trustees are also responsible for keeping records of contributions received in respect of any active member of the Scheme and for procuring that contributions are made to the Scheme in accordance with the schedule.

Trustees' summary of contributions payable under the schedule in respect of the Scheme year ended 31 March 2015

This summary of contributions has been prepared on behalf of and is the responsibility of the Trustees. It sets out the employer and member contributions payable to the Scheme under the schedule of contributions certified by the actuary on 28 June 2013 in respect of the Scheme year ended 31 March 2015. The Scheme auditor reports on contributions payable under the schedule in the auditor's statement about contributions.

Contributions payable under the schedule in respect of the Scheme year

	£'m
Employer normal contributions	8.1
Employer deficit funding - regular	55.0
Employer deficit funding – cash sweep	5.8
Member normal contributions	0.2
Contributions payable under the schedule (as reported on by the Scheme auditor)	69.1

Reconciliation of contributions

Reconciliation of contributions payable under the schedule to contributions reported in the financial statements in respect of the Scheme year:

	£'m
Contributions payable under the schedule (as above)	69.1
Contributions payable in addition to those due under the schedule: Member additional voluntary contributions	4.4
Total contributions reported in the financial statements	73.5

This report was approved by the Board of Trustees on 30 September 2015 and was signed on their behalf by:

Teresa Suriyae
Scheme Secretary

Schedule of Contributions

The Airways Pension Scheme Schedule of Contributions

Period covered by this schedule: From the date of certification of this Schedule by the Actuary until 31 March 2023

Level of contributions payable:

By members:

- Salary sacrifice members: Nil
- Members who are not salary sacrifice members:

	% Pay for contribution purposes
General Staff	7.25%
Air Cabin Crew	8.50%
Pilots and Officers	8.50%

All rates subject to detailed variation as specified in the Scheme Rules.

By the Employers:

- Until 30 June 2013, Contributions at the following rates to cover the cost of accrual:

	% Pay for contribution purposes
General Staff	33.0%
Air Cabin Crew	40.2%
Pilots and Officers	41.8%

- From 1 July 2013, Contributions at the following rates to cover the cost of accrual:

	% Pay for contribution purposes
All Categories of Staff	34.7%

- In addition, for salary sacrifice members, an amount equal to the contributions that would be payable by the members if they were not salary sacrifice members.
- In addition, for those members who elect to link increases in their "Pay for Pension Purposes" to increases in their Pay, contributions will be paid at 4.5% of "Pay for Contribution Purposes" from the date the election is effective.
- In addition to the above, contributions will be paid at £4,583,333 per month, for the period 1 April 2012 to 31 March 2023.

The Trustees and the Company have agreed a package of additional security and other measures aimed at improving the funding position and members' benefit security over time, which are documented in a separate legal agreement. These include a contingent payment of £250 million in January 2019. As part of these additional agreements, a one-off payment of £3,750,000 was paid in June 2012 as part of the cash sweep arrangement.

In accordance with the 2013 Funding Agreement, any payment made under Section 75 of the Pensions Act 2004 may be treated as a pre-payment of amounts due under this schedule.

Schedule of Contributions

Due date for payment of contributions

All contributions (from both members and the Employers except where noted otherwise above) are payable monthly and are due to be paid to the Scheme by the 19th day of the month following that to which the contributions relate.

Note: This Schedule of Contributions relates to the payment of normal contributions to the Scheme payable under Rule 5 of Part VI and Rule 6 of Parts I-V; it does not relate to payment of any amounts under the separate legal agreement, nor to the payments of additional voluntary contributions (AVCs) under Rule 32 of Part VI and Rule 29 of Parts I-V, nor to contributions payable under Clause 24. Pension Protection Fund levies are to be paid directly by BA Plc in addition to the amounts specified in this Schedule.

Date of Schedule (for reference purposes): 28 June 2013

Agreed on behalf of the Trustees of the Scheme

Paul Spencer

Chair of the Trustees

Agreed on behalf of the participating Employers of the Scheme

Robert French

Treasurer

Actuarial Certificate

Actuarial Certificate Schedule of Contributions

Name of Scheme: The Airways Pension Scheme

Adequacy of rates of contributions

- 1 I certify that, in my opinion, the rates of contributions shown in this Schedule of Contributions are such that the statutory funding objective could have been expected on 31 March 2012 to be met by the end of the period specified in the recovery plan dated 28 June 2013.
- 2 I also certify that any rates of contributions forming part of this Schedule which the Scheme requires me to determine are not lower than I would have provided for had I had responsibility for preparing or revising the Schedule, the Statement of Funding Principles and any Recovery Plan.

Adherence to Statement of Funding Principles

- 3 I hereby certify that, in my opinion, this Schedule of Contributions is consistent with the Statement of Funding Principles dated 28 June 2013.

The certification of the adequacy of the rates of contributions for the purpose of securing that the statutory funding objective can be expected to be met is not a certification of their adequacy for the purpose of securing the Scheme's liabilities by the purchase of annuities, if the Scheme were to be wound up.

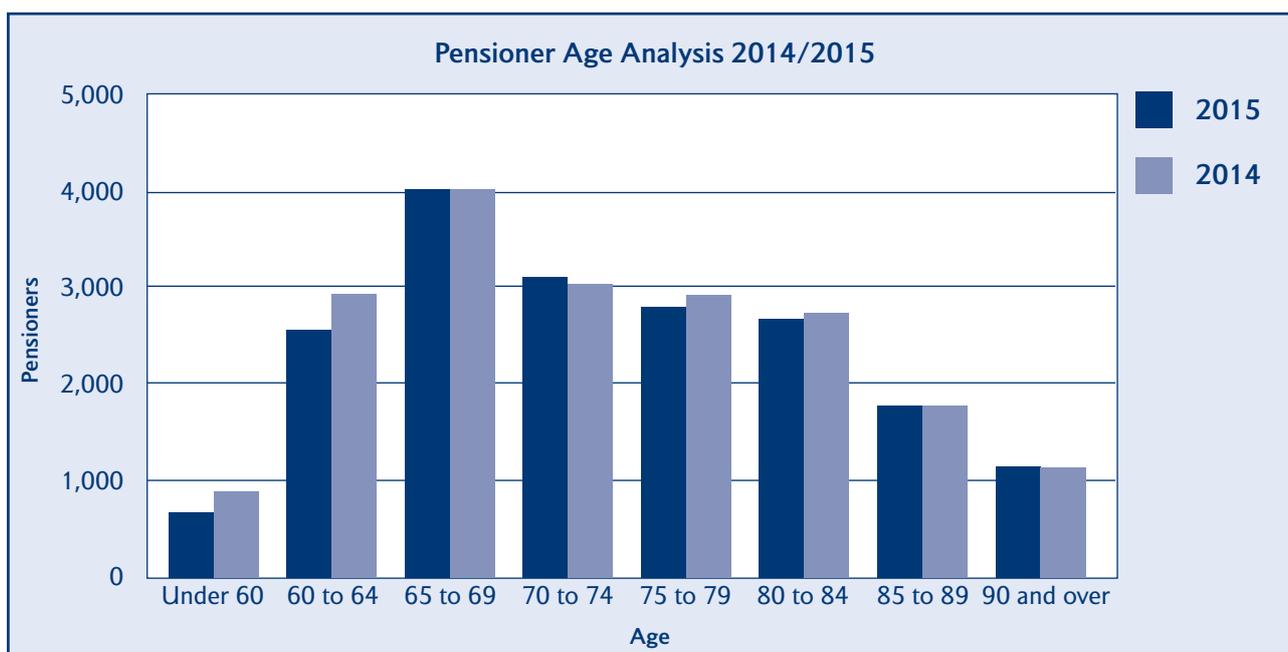
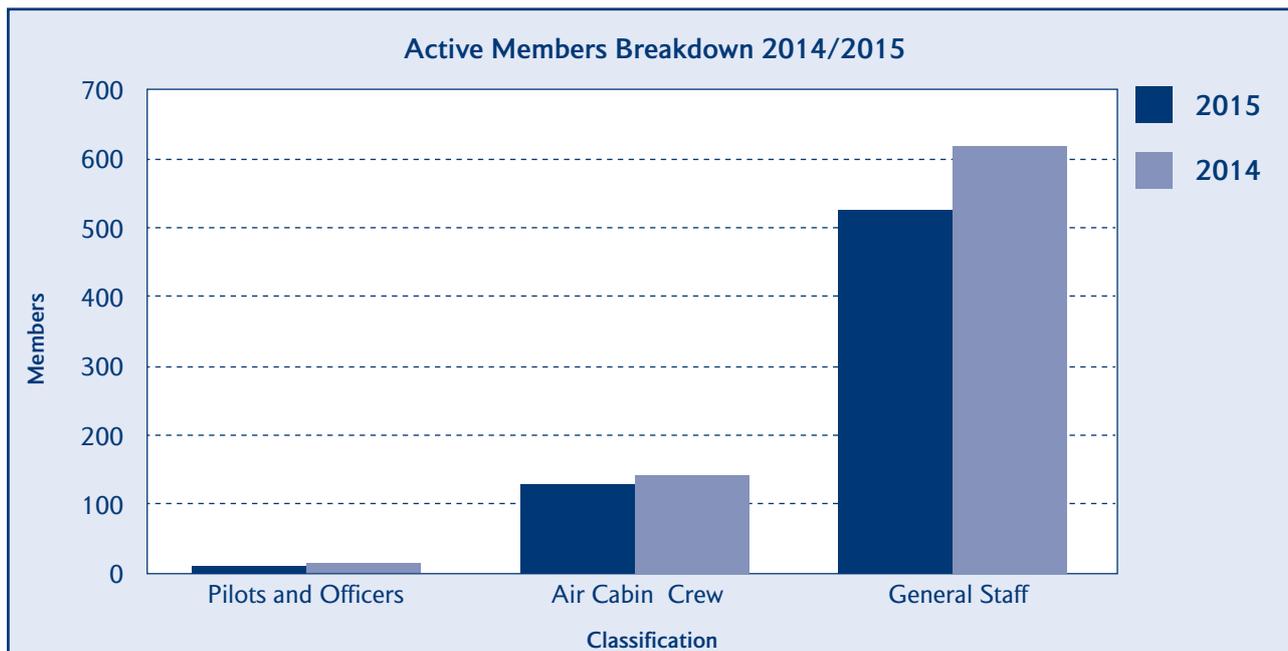
Michael J Pardoe
Fellow of the Institute of Actuaries

28 June 2013

Towers Watson Limited
Watson House
London Road
Reigate
Surrey
RH2 9PQ

Membership Information

	2015	2014
Active members	661	761
Pensioners in payment	18,315	18,812
Dependant pensioners	6,833	6,910
Deferred pensioners	1,459	1,661
	<u>27,268</u>	<u>28,144</u>



In addition to the above, there are approximately 24,800 (2014: 26,000) deferred pensioners with Equivalent Pension Benefits (EPBs).

Compliance Statement

The Scheme

The Scheme provides retirement benefits for employees of BA and some of its subsidiary and associated companies and benefits for dependants of members and pensioners who die.

The Scheme was established under a Trust Deed dated 8 October 1948 in accordance with Regulations made under Section 20 of the Civil Aviation Act 1946 and was closed to new members at 31 March 1984.

The Scheme was "exempt approved" by the Inland Revenue and is now a registered pension scheme under the Finance Act 2004. Parts V and VI of the Scheme are currently contracted-out of the State Second Pension (formerly known as the State Earnings-Related Pension Scheme). Part IV of the Scheme is contracted-in to the State Second Pension. Contracting-out is due to cease from 6 April 2016.

Membership

Membership of the Scheme is voluntary and members can opt out on giving one calendar months' notice in writing to the Trustees. Members of the Scheme who opt out cannot re-join APS, may only join NAPS in special circumstances as determined by the Company but may opt into the British Airways Retirement Plan, a defined contribution pension scheme offered by BA Plc.

British Airways Pension Services Limited
Whitelocke House
2-4 Lampton Road
Hounslow
Middlesex TW3 1HU